

# FISCAL NOTE

**Bill #:** SB0522

**Title:** Revise taxation of IRA rollover to Roth IRA

**Primary Sponsor:** Mack Cole

**Status:** As introduced

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Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2000 Difference</u></b>	<b><u>FY2001 Difference</u></b>
<b>Expenditures:</b>		
General Fund	0	0
<b>Revenue:</b>		
General Fund	Unknown	Unknown
<b>Net Impact on General Fund Balance:</b>	<b>Unknown</b>	<b>Unknown</b>

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<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
		Significant Local Gov. Impact			Technical Concerns
		Included in the Executive Budget			Significant Long-Term Impacts

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## Fiscal Analysis

### ASSUMPTIONS:

1. This proposal applies retroactively to tax years beginning after December 31, 1997; therefore, this proposal would apply to tax year 1998. The Department of Revenue has already prepared and distributed tax forms for the 1998 tax year containing instructions that require Montana married taxpayers to file a joint return in order to ratably report over 4 years the income stemming from rolling over an IRA to a Roth IRA.
2. There will be some additional administrative expense associated with this proposal. The total amount of this additional expense cannot be determined because it is unknown how many taxpayers have opted to rollover regular IRAs to Roth IRAs. If this bill is passed and applies retroactively to tax year 1998, the Department of Revenue will notify taxpayers of their option to file amended returns for tax year 1998 in the tax year 1999 tax booklet. Also, the department may have to handle an increase in amended returns to

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the extent that married couples who rolled over a regular IRA to a Roth IRA in tax year 1998, filed separately and reported the full amount of the contribution on their 1998 return.

3. Recently finalized U.S. Treasury regulations provide that married couples who were required to file jointly for 1998 may file separately in any of the 3 subsequent deferral years without losing the right to defer the Roth IRA income. This means that the bill is addressing a situation that affects only a past year and which has no future application. That is, if the bill is not adopted to change treatment for the 1998 tax year, the only effect will have been to require those married Montana taxpayers who might otherwise have chosen to file separately, to file jointly for 1998 and only 1998, in order to obtain the marginal benefit of ratably reporting over 4 years the income stemming from rolling over an IRA to a Roth IRA.
4. The Department of Revenue does not have information that allows a reasonable estimate of the revenue impact from this proposal.